

Taunton Deane Borough Council

Corporate Governance Committee – 20 March 2017

Corporate Risk Management Update

This matter is the responsibility of Cllr Richard Parish, Lead Member for Resources

Report Author: Richard Doyle, Corporate Strategy & Performance Officer

1 Purpose of the Report

- 1.1 This report provides an update on the corporate risks which are being managed by the Joint Management Team (JMT). The Committee are invited to debate whether all necessary corporate risks have been identified.

2 Recommendations

2.1 It is recommended that:-

- The committee note the current position in relation to the identification and tracking of corporate risk and discuss any areas of concern with officers present.
- The committee debate whether all necessary corporate risks have been identified.

3 Risk Assessment

Risk Matrix

| Description | Likelihood | Impact | Overall |
|--|-----------------|--------------------|----------------|
| There is the general risk that if the Council fails to make good use of the management of risk processes it is likely to lead to uncontrolled exposure to many high level strategic and operational risks. | Feasible (3) | Major (4) | Medium (12) |
| <i>The mitigation for this will be the identification and management of risk at all levels of the organisation and oversight of the key strategic risks facing the Council by Members and JMT.</i> | Unlikely (2) | Significant (3) | Low (6) |

4 Background and Full details of the Report

- 4.1 Taunton Deane Borough Council recognises the importance of effective identification, evaluation and management of all key strategic and operational risks. This is endorsed by the increased focus on the importance of Corporate Governance to public sector bodies. The Council also has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts & Audit Regulations 2003:

“The relevant body shall be responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes the arrangements for the management of risk.”

- 4.2 Risk management is a key element of the Council’s overarching Governance arrangements.
- 4.3 The Corporate Risk Register is a ‘live’ document which highlights the key corporate risks facing the Council. The register is a joint one between Taunton Deane and West Somerset Council and is formally reviewed by JMT on a regular basis as part of the corporate performance review day. The last JMT review took place on **30th September 2016**. The next review is scheduled for **19th May 2017**.
- 4.4 These regular reviews ensure that new strategic-level risks can be recognised; continuing risks can be re-assessed in the light of management actions to date; and risks which are no longer considered important can be removed.
- 4.5 Risk registers exist with divisions, teams, projects and programmes. All these Risk Registers were updated in **January 2017**.
- 4.6 Risks which are managed at a corporate level are those which have a significant risk to the delivery of a corporate priority or which are cross-cutting risks that don’t naturally sit with a single department or team. These risks have been identified and escalated from other risk registers within the Councils, officer concerns or from external sources.
- 4.7 There are currently **16** strategic risks identified and approved by JMT (**12** joint risks, **1** WSC risk and **3** TDBC specific risks).
- 4.8 Mitigating actions have continued to be delivered in respect of the various risks. These are set out in the risk register and will continue in order to manage down the risks to an acceptable level.
- 4.9 An extract of the corporate risk register is provided in Appendix A. Members are invited to review the register and consider whether all the appropriate Corporate Risks have been identified.
- 4.10 The key to the risk scoring used is shown in the following two tables:

| Likelihood of risk occurring | Indicator | Description (chance of occurrence) |
|-------------------------------------|--|---|
| 1. Very Unlikely | Extremely unlikely or virtually impossible | < 10% |
| 2. Slight | Unlikely to occur | 10 – 25% |
| 3. Feasible | Fairly likely to occur | 25 – 50% |
| 4. Likely | More likely to occur than not | 50 – 75% |
| 5. Very Likely | Almost certainly will occur | > 75% |

| | | | | | | | |
|-------------------|---|-------------|---------------|-------------|-------------|----------------|----------------|
| Likelihood | 5 | V.Likely | Low (5) | Medium (10) | High (15) | Very High (20) | Very High (25) |
| | 4 | Likely | Low (4) | Medium (8) | Medium (12) | High (16) | Very High (20) |
| | 3 | Feasible | Low (3) | Low (6) | Medium (9) | Medium (12) | High (15) |
| | 2 | Slight | Low (2) | Low (4) | Low (6) | Medium (8) | Medium (10) |
| | 1 | V. Unlikely | Low (1) | Low (2) | Low (3) | Low (4) | Low (5) |
| | | | 1 | 2 | 3 | 4 | 5 |
| | | | Negligible | Minor | Significant | Major | Critical |
| | | | Impact | | | | |

4.11 The risk matrix below shows the spread of corporate risks, based on the latest assessment. The numbers shown relate to the Risk Number within Appendix A.

| | | | | | | |
|------------------------|---------------------------|--|------------------------|-------------------|-------------------------|-------------------|
| PROBABILITY (A) | Very Likely 5 | | | | | |
| | Likely 4 | | | | 7 | 6 |
| | Feasible 3 | | | 14 | 9,10,11 16,17 | |
| | Slight 2 | | | 13 | 3,4,5,8 | 1,2,15 |
| | Very Unlikely 1 | | | | | |
| | | | Negligible 1 | Minor 2 | Significant 3 | Major 4 |
| IMPACT (B) | | | | | | |

5 Links to Corporate Aims / Priorities

5.1 There are no direct links to corporate aims/priorities although good governance (of which risk management is a part) underpins good performance.

6 Finance / Resource Implications

6.1 There are financial risks identified within the Corporate Risk register.

7 Legal Implications

7.1 There are no direct legal implications within this report.

8 Environmental Impact Implications

8.1 There are no direct environmental risks within this report.

9 Safeguarding and/or Community Safety Implications

9.1 Safeguarding is part of risk 14

10 Equality and Diversity Implications

10.1 Equalities is part of risk 14

11 Social Value Implications

11.1 There are no Social Value risks associated with this report.

12 Partnership Implications

12.1 The corporate risk register is maintained jointly between Taunton Deane Borough Council and West Somerset Council and reflects the 'One Team' approach to service delivery between the Councils.

13 Health and Wellbeing Implications

13.1 There are no Health and Well-being implications associated with this report.

14 Asset Management Implications

14.1 Risk 5 identifies a risk in relation to asset management.

15 Consultation Implications

15.1 There are no Consultation implications associated with this report.

Democratic Path:

- **Corporate Governance Committee - Yes**
- **Corporate Scrutiny – No**
- **Executive – No**
- **Full Council – No**

Reporting Frequency: Twice yearly

List of Appendices

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| Appendix A | Extract of joint Corporate Risk Register |
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Contact Officers

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| Name | Richard Doyle |
| Direct Dial | 01823 218743 |
| Email | r.doyle@tauntondeane.gov.uk |

APPENDIX A

| Risk Num | Org | Risk Group Heading | Risk Description | Risk Owner | Latest Probability | Latest Impact | Latest Score |
|----------|------|--------------------|--|---------------|--------------------|---------------|--------------|
| 1 | BOTH | Transformation | <p>JOINT-MANAGEMENT & SHARED SERVICES ('JMASS')</p> <p>RISK - of not adequately managing capacity issues now we have ONE team supporting both Councils.</p> <p>KEY EFFECTS - Member's expectations not met / loss of political support, breakdown in relationships between Leaders & CEO, savings projections / timeline not delivered, existing projects, priorities negatively impacted & demotivated workforce.</p> | Shirlene Adam | 2 | 5 | 10 |
| 2 | BOTH | Transformation | <p>THE WIDER TRANSFORMATION PROGRAMME</p> <p>RISK - failure to deliver the Business Case on time and/or to target.</p> <p>KEY EFFECTS - programme benefits not realised- real or opportunity cost, failure to maximise service efficiency.</p> | Shirlene Adam | 2 | 5 | 10 |
| 3 | BOTH | Transformation | <p>SHARED SERVICES ACROSS SOMERSET & WIDER PUBLIC SECTOR</p> <p>Government policy is pushing wider transformation of public sector. No clear ambition has emerged for Somerset.</p> <p>RISK - wider transformation opportunities may be missed - or - if identified could slow down the pace of the TDBC /WSC transformation programme.</p> <p>KEY EFFECTS - Member's expectations not met / loss of political support, breakdown in relationships between Leaders & CEO, savings projections / timeline not delivered, existing projects, priorities negatively impacted & demotivated workforce.</p> | Penny James | 2 | 4 | 8 |
| 4 | BOTH | Political | <p>NATIONAL LAW & POLICY</p> <p>Changes advocated or made maybe missed or not evaluated in a timely manner.</p> <p>RISK - that the Councils are failing to meet an existing legislative requirement or fail to implement new requirements.</p> <p>KEY EFFECTS - The Councils are non-compliant leading to financial and /or reputational damage.</p> | Penny James | 2 | 4 | 8 |

| | | | | | | | |
|---|------|---------------------|--|---------------|---|---|----|
| 5 | BOTH | Financial | <p>ASSET MANAGEMENT</p> <p>RISK - failure to manage existing assets appropriately. KEY EFFECTS -</p> <ul style="list-style-type: none"> • Legal and reputational - increased risk & liabilities in relation to disrepair (condition) & compliance (Health and Safety) matters | Terry May | 2 | 4 | 8 |
| 6 | BOTH | Financial | <p>MEDIUM TERM FINANCIAL PLANNING (MTFP)</p> <p>The key financial risk factors are: continuing budgetary pressures due to demographic change and the impact of the Gov's austerity measures (such as: Business Rates retention, Revenue Support Grant, Council Tax & Council Tax Support, Income from Fees & Charges, Capital investment), uncertainty as to the long-term sustainability / affordability of the existing contract with Somerset Waste Partnership, the shrinking of the General Fund (impact on the HRA).</p> <p>RISK - failure to agree and deliver a sustainable MTFP for the next 5 years KEY EFFECTS - may include:</p> <ul style="list-style-type: none"> • short-term or 'knee jerk' decisions with detrimental long-term implications • Government intervention • Adverse impact on the council's limited reserves & financial standing | Shirlene Adam | 4 | 5 | 20 |
| 7 | TDBC | Partnerships | <p>REPLACEMENT SAP SYSTEMS</p> <p>At present TDBC is in the process of implementing 2 new core systems, namely a new Finance and Procurement system and a new HR system. Implementation of these systems is proceeding but both are on the critical path with no margin for further slippage.</p> <p>Risk: That systems will not be ready for use by 1 April and that staff will not be confident in their operation for ongoing use</p> | Paul Carter | 4 | 4 | 16 |
| 8 | BOTH | Leadership & People | <p>POLITICAL LEADERSHIP & MEMBER ENGAGEMENT</p> <p>Both Councils are led by strong Conservative administrations. It is important to engage the whole council in the change programme to ensure it is member led & steered.</p> <p>RISK - lack of member engagement and therefore member ownership. KEY EFFECTS -</p> <ul style="list-style-type: none"> • lack of cross party buy in and ownership • loss of member input, ideas & challenge | Penny James | 2 | 4 | 8 |

| | | | | | | | |
|----|------|----------------------|---|------------------|---|---|----|
| 9 | TDBC | Corporate Aim (TDBC) | <p>CORPORATE (STRATEGIC) RISK RE TDBC'S VISION AND AIMS FOR A "QUALITY PLACE"</p> <p>RISK - Failure to deliver the ambitions or realise the outcomes & benefits as defined in the Taunton Growth Prospectus and Taunton Rethink.</p> <p>KEY EFFECTS - Taunton's key economic challenges may not be addressed, thus having a detrimental impact on the local economy and quality of life, ie:</p> <ul style="list-style-type: none"> • transport & infrastructure needs not met - traffic worsens, inability to attract inward business investment • long-term increased flood risk (climate change) is not mitigated - no additional protection offered to existing development, future planned growth is prevented • Taunton town centre regeneration does not happen and the town centre stagnates • Taunton's full economic potential is not realised and opportunities for economic growth are not exploited (eg Hinkley Point) • Housing growth (as per proposals in the Development Plan) is not delivered, and/or unplanned development occurs • Employment land (as per proposals in the Development Plan) is not delivered, or fails to provide the optimum mix of uses to attract the targeted growth clusters • opportunity cost in terms of New Homes Bonus and Business Rates | Brendan Cleere | 3 | 4 | 12 |
| 10 | WSC | Corporate Aim (WSC) | <p>HINKLEY POINT C</p> <p>RISK 1 - that the development could have an adverse impact on the local environment, tourism, accommodation and highways.</p> <p>RISK 2 - failure to realise the Economic & Social opportunities which the development could bring KEY EFFECTS -</p> <ul style="list-style-type: none"> • increase in housing demand & lack of affordable housing leading to homelessness increases and the council is unable to discharge its homelessness obligations; • increased congestion (impacting on Growth & Regeneration goals / inward investment) • Local businesses are not able to win contracts to participate in the project • Local people aren't trained and are unable to gain employment on the project | Andrew Goodchild | 3 | 4 | 12 |

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|----|------|----------------------|---|--------------------------------|---|---|----|
| 11 | BOTH | Communities | <p>WELFARE REFORMS</p> <p>There is an on-going requirement to reduce benefit payments (CTRS, Business Rates, Universal Credit) - the Welfare Reforms will mean that people in the welfare system will receive less Council Tax support. It will also mean that Universal Credit will be paid directly to tenants rather than the HRA housing landlord.</p> <p>a) RISK - of the Council failing to adequately support our community and services for the impact of the Government's Welfare Reform Agenda.</p> <p>b) RISK - of the TDBC Housing Service having substantially reduced collection rates on introduction of Universal Credit</p> <p>KEY EFFECTS-</p> <ul style="list-style-type: none"> • taxes and rents harder to collect • reduced rent collection could affect ambitions of HRA business plan | Simon Lewis Paul Fitzgerald | 3 | 4 | 12 |
| 13 | TDBC | Communities | <p>GYPSIES & TRAVELLERS</p> <p>Local Authorities have a (planning) duty to allocate suitable provision for Gypsies & Travellers. TDBC has had previous experience of illegal Gypsy & Traveller encampments.</p> <p>RISK - that TDBC cannot defend against future illegal encampments if we are unable to identify suitable provision.</p> <p>KEY EFFECTS -</p> <ul style="list-style-type: none"> • unable to respond to community or political pressure; | Tim Burton Terry May | 2 | 3 | 6 |
| 14 | BOTH | Corporate Governance | <p>CORPORATE GOVERNANCE ARRANGEMENTS ON RUNNING THE BUSINESS</p> <p>There is a need for robust arrangements, and on-going monitoring and focus on embedding effective corporate governance arrangements (ie budget monitoring, risk management, debt management, performance management, Treasury management, compliance with audit recommendations, asset management, Equalities duties, Business Continuity Planning, Information Governance & Security, Health & Safety management).</p> <p>RISK - of failure to comply with key internal controls & corporate governance arrangements. KEY EFFECTS - include:</p> <ul style="list-style-type: none"> • inaccurate budget forecasting & financial loss • failure to adhere to HRA ring fence • project or service failure or under-performance • reputational damage • Government intervention • Failure to comply with statutory duties & regulations (eg Health & Safety, Equalities, Data Security / Data Protection, Safeguarding) causing harm or injury • lack of resilience to unexpected events / failure of IT systems / data loss •safeguarding | Shirlene Adam | 3 | 3 | 9 |

| | | | | | | | |
|----|------|----------------------|---|--------------------------------|---|---|----|
| 15 | BOTH | Corporate Governance | <p>BUSINESS CONTINUITY</p> <p>RISK - The Council may be unable to deliver critical services in the event of a critical loss of accommodation, data, power, staff or premises.</p> <p>KEY EFFECTS -</p> <ul style="list-style-type: none"> • major disruption to services; • Impact upon customers if critical services (payment of housing costs, homeless service, Deane helpline etc) are disrupted or unavailable. • Reputational damage; | Paul Carter | 2 | 5 | 10 |
| 16 | BOTH | Leadership & People | <p>STAFF ENGAGEMENT & DEVELOPMENT</p> <p>RISK - that due to increased opportunities in the private sector, as the economy improves, and austerity continues within the public sector that the organisation finds it difficult to attract and retain the right skills - leads to use of expensive agency workers or disruption to service provision.</p> <p>The Organisation has also been through a period of significant restructure and needs to ensure its staff are fully engaged in the changes underway and being planned.</p> | Shirlene Adam | 3 | 4 | 12 |
| 17 | BOTH | Communities | <p>COMMUNITY IMPACT OF AUSTERITY</p> <p>RISK - Austerity measures will impact on services to the community.</p> <p>KEY EFFECTS - This may manifest in a number of ways including (but not limited to):</p> <ul style="list-style-type: none"> • direct impact on household income e.g. through cap / reduction in benefits - leading to increased debt and subsequent issues • Lack of income where households are subject to DWP sanctions - leading to crisis and requirement for food banks • Reduced ability to pay council tax, housing rent (Council or private) and utility bills, leading to potential evictions, homelessness and health issues • reduction in level of support that can be delivered by the district councils directly, or through grant-funded providers e.g. reduced ability to support One Team measures through rent changes to HRA - leading to reduced support for deprived communities • Reduced ability to support Under 21s where they are unable to claim HB and need support with potential of increased homelessness and sofa surfing and associated risks (e.g. CSE) • impact of service reductions by other local authorities such as County Council (e.g. P4A and P2I cuts leading to increased homelessness) • Increasing aging population with unmet Health and Social Care needs struggling to live comfortably | Simon Lewis Paul Fitzgerald | 3 | 4 | 12 |

